

CITY OF CENTRAL, LOUISIANA**FINANCIAL STATEMENTS****June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 21 2011**

CITY OF CENTRAL, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Central, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL (CITY)** as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 on our consideration of the **CITY OF CENTRAL, LOUISIANA's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As discussed in note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended June 30, 2011. This standard reclassified fund balances into various categories but did not affect the measurement of total fund balances.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 12 and 35 through 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Faulk & Wheeler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 28, 2011

CITY OF CENTRAL, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts, and should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2011, the City of Central experienced revenues consistent with the prior year; however, expenditures increased (6%) which was directly related to street rehabilitation through the East Baton Rouge Parish Green Light Plan. Franchise tax collections have increased by 5%. Additionally, the City receives sales tax of approximately \$6.3 million. Throughout this period, the City has focused on maintaining a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2011 are as follows:

- Assets of the City's primary government exceeded its liabilities at the close of the year by approximately \$11.8 million (net assets). Net assets includes \$7.7 million that may be used without restriction to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by approximately \$3 million during 2011, which is primarily the result of the increase in franchise taxes, capital grants and contributions and construction of infrastructure.
- At year end, the City's governmental funds reported fund balances of approximately \$10.4 million, an increase of approximately \$1.9 million in comparison to the prior year. Approximately 27% of the fund balance is restricted for capital projects (\$2.8 million) and approximately 34% of the fund balance has been assigned to specific future expenditures (\$3.5 million).

Significant aspects of the City's financial well being, as of and for the year ended June 30, 2011, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The City's financial statements focus on the government as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole.

Fund financial statements start on page 15. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The City's auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

The financial statements of the City as a whole begin on page 13. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net assets and related changes. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of its financial health. You will need to consider other non-financial factors, such as changes in the City's sales tax base, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities consist only of governmental activities.

Governmental activities - All of the City's basic services are reported here, including public safety, public works, health and welfare, and general administration. Sales taxes and franchise fees finance the majority of these activities.

At June 30, 2011, the City's net assets were approximately \$11.8 million, of which \$7.7 million are unrestricted. Restricted net assets are normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use those net assets for day-to-day operations.

Our analysis below of the primary government focuses on the net assets and change in net assets of the City's governmental activities.

City of Central, Louisiana
Statement of Net Assets
June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Current and other assets	\$ 10,969,824	\$ 8,804,063
Capital assets	1,409,577	239,475
Total assets	<u>12,379,401</u>	<u>9,043,538</u>
Current and other liabilities	542,847	235,061
Long-term liabilities	10,255	12,255
Total liabilities	<u>553,102</u>	<u>247,316</u>
Net assets:		
Invested in capital assets, net of related debt	1,405,580	213,212
Restricted	2,779,328	3,675,367
Unrestricted	7,641,391	4,907,643
Total net assets	<u>\$ 11,826,299</u>	<u>\$ 8,796,222</u>

Net assets of the City's governmental activities increased by approximately \$3 million during the year ended June 30, 2011. Unrestricted net assets increased by approximately \$2.8 million. Unrestricted net assets represent the part of the net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements and may be used at the City's discretion. The changes in net assets are discussed later in this analysis.

The results of the past two year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

City of Central, Louisiana
Changes in Net Assets
For the years ended June 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 775,611	\$ 817,750
Operating grants and contributions	13,722	31,135
Capital grants and contributions	185,030	80,000
General revenues:		
Sales taxes	6,280,158	6,305,338
Franchise taxes	1,492,877	1,420,940
Investment earnings	31,835	12,970
Other general revenues	-	275
Total revenues	<u>8,779,233</u>	<u>8,668,408</u>
Functions/Program expenses:		
General government	626,736	636,531
Health and welfare	90,450	91,800
Public works	4,131,371	4,297,417
Highways and streets	695,640	378,601
Public safety - Police	<u>204,959</u>	<u>32,941</u>
Total expenses	<u>5,749,156</u>	<u>5,437,290</u>
Increase in net assets	3,030,077	3,231,118
Beginning net assets, as restated	<u>8,796,222</u>	<u>5,565,104</u>
Ending net assets	<u>\$ 11,826,299</u>	<u>\$ 8,796,222</u>

The increase in net assets of \$3 million is primarily attributed to increases in revenues generated by franchise taxes, and capital grants and contributions the City received during 2011. Additionally, the City's highways and streets expenses increased by approximately \$320,000 million due to expenses incurred in road projects related to the East Baton Rouge Parish's Green Light Plan.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

The City's major funds begin on page 15 with the fund financial statements that provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to control and manage financial resources for particular purposes or to meet legal responsibilities for using certain taxes, grants and other assets.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. All of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the City. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The City has four governmental funds, which are the General Fund and the Franchise Fee, Half Cent Sales Tax and Traffic Contribution special revenue funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-6.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds and can be found in Exhibits B through B-4.

Financial Analysis of the General Fund

The general government operations of the City are accounted for in the general fund and special revenue funds. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2011 by fund type:

	(in thousands)			
	2011		2010	
	General Fund	Special Revenue Funds	Total	Total
Revenues	\$ 6,318	\$ 2,461	\$ 8,779	\$ 8,787
Expenditures	<u>5,024</u>	<u>1,897</u>	<u>6,921</u>	<u>5,512</u>
Excess of revenues over expenditures	1,294	564	1,858	3,275
Beginning fund balance, as restated	<u>2,975</u>	<u>5,598</u>	<u>8,573</u>	<u>5,298</u>
Ending fund balance	<u>\$ 4,269</u>	<u>\$ 6,162</u>	<u>\$ 10,431</u>	<u>\$ 8,573</u>

The City's governmental funds experienced a surplus of \$1.9 million during 2011 that primarily relates to an increase in franchise taxes and capital grants the City received during 2011. At year end, fund balances were approximately \$10.4 million. Approximately \$4.1 million is unassigned and available for utilization at the City's discretion. The remainder of the fund balance has been restricted, where constraints have been established legislatively, for capital projects (\$2.8 million) or assigned (\$3.5 million), where internal constraints have been established by the City, but are not restricted nor committed. At June 30, 2011, the fund balance of the General Fund was approximately \$4.3 million compared to the fund balance of approximately \$3 million at June 30, 2010.

The City's other major funds are the Franchise Fee, Half Cent Sales Tax and Traffic Contribution special revenue funds. The Franchise Fee fund balance increased by approximately \$1.8 million during 2011 to approximately \$3.2 million. The fund balance of the Half Cent Sales Tax Fund decreased by approximately \$932,000 during 2011, due to expenditures in highways and streets related to road rehabilitation and construction projects.

Sources of governmental revenues, excluding transfers, are summarized below:

<u>Source of Revenue</u>	(in thousands)			
	2011		2010	
	Revenue	%	Revenue	%
Sales taxes	\$ 6,280	71.5	\$ 6,306	71.8
Franchise taxes	1,493	17.0	1,421	16.2
Charges for services	776	8.8	818	9.3
Intergovernmental	199	2.3	229	2.6
Investment income	11	0.1	13	0.1
Other	20	0.3	-	-
Total	<u>\$ 8,779</u>	<u>100.0</u>	<u>\$ 8,787</u>	<u>100.0</u>

Revenues of the governmental funds decreased by approximately \$8,000. This decrease is directly attributable to a decrease in sales taxes and charges for services, although franchise tax and other revenue related to intergovernmental sources increased during 2011.

Governmental expenditures increased by approximately \$1.4 million or 25%. This increase is related to the increase in capital outlay and highways and streets from expenditures related to street rehabilitation and construction. Governmental expenditures are summarized as follows:

<u>Function</u>	(in thousands)			
	2011		2010	
	Expenditure	%	Expenditure	%
General government	\$ 601	8.7	\$ 589	10.7
Health and welfare	91	1.3	92	1.7
Public works	4,131	59.7	4,297	78.0
Highways and streets	670	9.7	426	7.7
Public safety - police	161	2.3	35	0.6
Capital outlay	<u>1,267</u>	<u>18.3</u>	<u>73</u>	<u>1.3</u>
Total	<u>\$ 6,921</u>	<u>100.0</u>	<u>\$ 5,512</u>	<u>100.0</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the City's General Fund budget was amended. The amendment of the operating budget is a customary practice of the City and reflects the change that occurs with financial related matters throughout the fiscal year. The most significant changes during 2011 were as follows:

- Increases in sales taxes and permit and building fees,
- A decrease in expenditures in furniture and fixtures capital outlay and insurance,
- An increase in expenditures related to legal services, and
- A decrease in the amount of intergovernmental revenue.

With these adjustments the charges to appropriations (expenditures) were approximately \$105,000 less than the related final budget appropriations of approximately \$5.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the completion of the fiscal year ended June 30, 2011, the City had approximately \$1,562,000 invested in capital assets, net of accumulated depreciation of approximately \$153,000 comprised of equipment, vehicles, leasehold improvements, and infrastructure.

	Governmental Activities	
	2011	2010
Construction in progress	\$ -	\$ 47,730
Equipment	100,690	122,795
Vehicles	41,211	19,931
Leasehold improvements	52,294	49,019
Infrastructure	<u>1,215,382</u>	<u>-</u>
Total assets, net of accumulated depreciation	<u>\$ 1,409,577</u>	<u>\$ 239,475</u>

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, which is provided for in GASB No. 34. As of June 30, 2011, the City has constructed \$1,241,211 since inception. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt

During 2007, the City entered into a capital lease to purchase a copy machine. This obligation and accrued vacation leave represent the City's long-term debt, as follows:

	Beginning of Year	Additions	Deletions	End of Year
Capital lease	\$ 5,747	\$ -	\$ 3,750	\$ 1,997
Accrued vacation leave	10,258	1,997	-	12,255
Total	<u>\$ 16,005</u>	<u>\$ 1,997</u>	<u>\$ 3,750</u>	<u>\$ 14,252</u>

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget and tax rates, including the national, state, and local economies. The General and Franchise Fee Funds' revenue and expenditures are budgeted to remain consistent for the 2011-2012 fiscal year. Intergovernmental revenues are expected to increase during the 2011-2012 fiscal year due to increased grant revenues. Additionally, park improvements expenditures are also budgeted in the General Fund in next year's budget. Roadway and streets expenditures in the Half Cent Sales Tax fund are expected to decrease due to completion of rehab and construction projects. An increase in expenditures related to drainage projects is expected in the Franchise Fee Fund. The administration of the City has made it a priority to complete the development and design of the Master Plan for the City of Central to provide the framework for the future growth and land use for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office at (225) 262-5255 or 13421 Hooper Road, Suite 8, Central, Louisiana, 70818.

CITY OF CENTRAL, LOUISIANA
BASIC FINANCIAL STATEMENTS

CITY OF CENTRAL, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,759,636
Accounts receivable	352,865
Due from other governments	856,881
Other assets	442
Capital assets, net	<u>1,409,577</u>
 Total assets	 <u>\$ 12,379,401</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 538,850
Long-term payable:	
Due within one year	3,997
Due in more than one year	<u>10,255</u>
 Total liabilities	 <u>553,102</u>
NET ASSETS	
Investment in capital assets, net of related debt	1,405,580
Restricted-nonexpendable	442
Restricted for capital projects	2,772,294
Unrestricted	<u>7,647,983</u>
 Total net assets	 <u>11,826,299</u>
 Total liabilities and net assets	 <u>\$ 12,379,401</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental activities:					
General government	\$ 626,736	\$ 775,611	\$ 13,722	\$ 12,350	\$ 174,947
Health and welfare	90,450	-	-	-	(90,450)
Public works	4,131,371	-	-	138,347	(3,993,024)
Highways and streets	695,640	-	-	-	(695,640)
Public safety - Police	204,959	-	-	34,333	(170,626)
Total	\$ 5,749,156	\$ 775,611	\$ 13,722	\$ 185,030	(4,774,793)
General revenues:					
Taxes:					
Sales					6,280,158
Franchise					1,492,877
Investment earnings					31,835
Total general revenues					7,804,870
Increase in net assets					3,030,077
Net assets - beginning of year, as restated					8,796,222
Net assets - end of year					\$ 11,826,299

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General	Special Revenue Funds			Total Governmental Funds
		Franchise Fee	Half Cent Sales Tax	Traffic Contribution	
ASSETS					
Cash and cash equivalents	\$ 3,912,437	\$ 2,897,250	\$ 2,816,790	\$ 133,159	\$ 9,759,636
Accounts receivable	527	352,338	-	-	352,865
Due from other governments	705,812	-	151,069	-	856,881
Other assets	442	-	-	-	442
Total assets	\$ 4,619,218	\$ 3,249,588	\$ 2,967,859	\$ 133,159	\$ 10,969,824
LIABILITIES					
Accounts payable and accrued liabilities	\$ 350,319	\$ -	\$ 188,531	\$ -	\$ 538,850
FUND BALANCE					
Nonspendable	442	-	-	-	442
Restricted for capital projects	-	-	2,772,294	-	2,772,294
Assigned	129,551	3,249,588	7,034	133,159	3,519,332
Unassigned	4,138,906	-	-	-	4,138,906
Total fund balance	4,268,899	3,249,588	2,779,328	133,159	10,430,974
Total liabilities and fund balance	\$ 4,619,218	\$ 3,249,588	\$ 2,967,859	\$ 133,159	\$ 10,969,824

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2011

Total net assets reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds (Exhibit A-2)		\$ 10,430,974
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.		1,409,577
Long-term liabilities (e.g. capital leases), that are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued vacation payable	(12,255)	
Capital lease payable	<u>(1,997)</u>	<u>(14,252)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 11,826,299</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	General	Special Revenue Funds			Total Governmental Funds
		Franchise Fee	Half Cent Sales Tax	Traffic Contribution	
REVENUES					
Taxes:					
Sales and use	\$ 5,343,390	\$ -	\$ 936,768	\$ -	\$ 6,280,158
Franchise	-	1,492,877	-	-	1,492,877
Charges for services	751,411	-	-	24,200	775,611
Intergovernmental	198,752	-	-	-	198,752
Investment income	3,941	3,651	3,609	48	11,249
Other	20,586	-	-	-	20,586
Total revenues	6,318,080	1,496,528	940,377	24,248	8,779,233
EXPENDITURES					
Current function:					
General government	592,190	-	8,549	-	600,739
Health and welfare	90,450	-	-	-	90,450
Public works	4,106,371	25,000	-	-	4,131,371
Highways and streets	-	-	669,811	-	669,811
Public safety - Police	161,221	-	-	-	161,221
Capitall outlay	73,938	-	1,193,481	-	1,267,419
Total expenditures	5,024,170	25,000	1,871,841	-	6,921,011
Net change in fund balance	1,293,910	1,471,528	(931,464)	24,248	1,858,222
FUND BALANCE					
Beginning of year, as restated	2,974,989	1,778,060	3,710,792	108,911	8,572,752
End of year	4,268,899	3,249,588	2,779,328	133,159	10,430,974

The accompanying notes to financial statements are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental fund (Exhibit A-4) \$ 1,858,222

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.

Capital outlay	1,267,419	
Depreciation expense	<u>(97,317)</u>	1,170,102

The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability. (1,997)

Principal payments on debt are expenditures of governmental funds but have no effect on net assets. 3,750

Change in net assets of governmental activities (Exhibit A-1) \$ 3,030,077

CITY OF CENTRAL, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The City of Central was established on July 11, 2005 and is a political subdivision of the State of Louisiana. The City, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works and social welfare.

The financial statements of the City of Central, Louisiana (City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies established in GAAP and used by the City are described below.

The financial statements comply with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34) and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities, including infrastructure (roads, bridges, etc.); and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

The criteria for determining which component units should be considered part of the City for financial reporting purposes are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the City governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the City and the potential component unit;
- Imposition of will by the City on the potential component unit; and
- Financial benefit/burden relationship between the City and the potential component unit.

As required by generally accepted accounting principles, these financial statements present the City; there are no component units to be reported the in the City's financial statements.

Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government (the City) and the fund financial statements (individual major funds and combined non-major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. Additionally, as of June 30, 2011, the City did not have any business-type activities and therefore does not issue a proprietary fund financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The City does not have any non-major funds or business-type categories.

The daily operations of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The City does not have any proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

A fund is considered major if it is the primary operating fund of the City (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the City are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds that are considered major funds are the Franchise Fee Fund, the Half Cent Sales Tax Fund and the Traffic Contribution Fund. The Franchise Fee Fund and the Half Cent Sales Tax Funds account for the collection of franchise tax and sales tax, respectively. The Traffic Contribution Fund accounts for contributions from local subdivision developers to assist with traffic related matters impacted by their developments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Program revenues for governmental activities include operating grants and occupational licenses and permits.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services and other governmental revenues are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the City receives value without directly giving value in return, include sales and use tax, franchise tax, and state and federal grants. Sales taxes and franchise taxes are recorded when in possession of the intermediary collecting agent and are recognized as revenue at that time and subject to the availability criteria. Federal and state grants are recorded as revenue when the City is entitled to the funds, generally corresponding to when grant related costs are incurred by the City, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

A consolidated bank account has been established into which most monies are deposited and from which most disbursements are made. The purpose of this consolidation of bank accounts is to provide administrative efficiency and to maximize investment earnings. Cash and cash equivalents for the City include each individual funds share of the operating cash account and the Louisiana Asset Management Pool (LAMP) accounts.

The investment policy of the City is governed by state statutes that include depository and custodial contract provisions. The City invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the City has a custodial agreement. The City primarily utilizes the LAMP to invest idle funds.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts through the use of an allowance account or expensed at the time information becomes available, indicating that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. No bad debts have been recorded in the current period.

Interfund receivables/payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. There were no interfund receivables/payables at June 30, 2011.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is computed using the straight-line method of depreciation over the asset's estimated useful life, as follows:

Machinery and equipment	3-5 years
Vehicles	5 years
Leasehold improvements	5-7 years
Furniture and fixtures	7 years
Infrastructure	20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are not capitalized. Instead, capital acquisition and construction are reflected as expenditures in the governmental fund.

Compensated Absences

The City has the following policy relating to vacation and sick leave:

The full time employees of the City accrue two hours of vacation leave for each week worked. Vacation is payable upon resignation or retirement at the employee's current rate of pay. At June 30, 2011, approximately \$12,300 of the accrued vacation liability has been recorded in these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- Invested in capital assets, net of related debt—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets—consist of net assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This included the Budget Reserve Account.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned—All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to adoption of the budget.

The General Fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designation represents the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for depreciation.

Change In Accounting Principle

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the General Fund and special revenue fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds.

NOTE 2 - CASH AND CASH EQUIVALENTS

The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

At June 30, 2011, the City's deposits totaled \$9,759,636 and the related bank balances were \$9,862,873.

The bank balance is categorized as follows:

Category 1 - Amount insured by the FDIC	\$ 250,000
Category 2 - Amount collateralized with securities held by pledging financial institution's trust department in the City's name	2,656,910
Category 3 - Investments not subject to categorization: Louisiana Asset Management Pool (LAMP)	<u>6,955,963</u>
Total bank balance	<u>\$ 9,862,873</u>

Investment by the City in the LAMP pool is considered unclassified as to credit risk provided by GASB Codification Section 150.125 because the investment is in a pool and therefore not evidenced by securities that exist in physical or book form.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

NOTE 3 - DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE

Due from other governments at June 30, 2011, consisted of amounts due from the City of Baton Rouge\Parish of East Baton Rouge (Parish) for the collection of sales and use tax, and grants due from the State of Louisiana.

Due from other governments at June 30, 2011, consisted of the following:

Sales tax	\$ 844,555
Grants	<u>12,326</u>
Total primary government	<u>\$ 856,881</u>

**NOTE 3 - DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE
(CONTINUED)**

Accounts receivable at June 30, 2011, were as follows:

Franchise fees	\$ 352,338
Other	<u>527</u>
Total primary government	<u>\$ 352,865</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ 47,730	\$ 1,193,481	\$ (1,241,211)	\$ -
Capital assets being depreciated				
Equipment	180,586	25,923	(19,513)	186,996
Leasehold improvements	62,059	16,062	(3,560)	74,561
Vehicles	27,882	31,953	-	59,835
Infrastructure	<u>-</u>	<u>1,241,211</u>	<u>-</u>	<u>1,241,211</u>
Total capital assets	<u>318,257</u>	<u>2,508,630</u>	<u>(1,264,284)</u>	<u>1,562,603</u>
Less accumulated depreciation for:				
Equipment	57,791	48,029	(19,513)	86,307
Leasehold improvements	13,040	12,788	(3,560)	22,268
Vehicles	7,951	10,671	-	18,622
Infrastructure	<u>-</u>	<u>25,829</u>	<u>-</u>	<u>25,829</u>
Total accumulated depreciation	<u>78,782</u>	<u>97,317</u>	<u>(23,073)</u>	<u>153,026</u>
Total capital assets, net	<u>\$ 239,475</u>	<u>\$ 2,411,313</u>	<u>\$ (1,241,211)</u>	<u>\$ 1,409,577</u>

Depreciation expense for the year ended June 30, 2011 charged to general government highways and streets, and public safety functions was approximately \$25,000, \$26,000, and \$46,500, respectively.

NOTE 5 - LONG-TERM DEBT

Long term debt obligations for the primary government for governmental activities at June 30, 2011, are comprised of the following:

Capital lease obligations:

Lease payable in monthly installments of \$341, until December 2011 and secured by equipment, interest at 8.4% \$ 1,997

Accrued vacation leave 12,255

Total indebtedness - governmental activities \$ 14,252

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital lease	\$ 5,747	\$ -	\$ 3,750	\$ 1,997
Accrued vacation leave	<u>10,258</u>	<u>1,997</u>	<u>-</u>	<u>12,255</u>
Total	<u><u>\$ 16,005</u></u>	<u><u>\$ 1,997</u></u>	<u><u>\$ 3,750</u></u>	<u><u>\$ 14,252</u></u>

Debt Service Requirements to Maturity

For the year ending June 30, 2012, the City will pay a total of \$2,046 of debt service, consisting of principal payments of \$1,997 and interest payments \$49. These payments will effectively retire the current outstanding debt related to capital leases. The city considers \$2,000 of the accrued vacation leave to be current and the remaining \$10,255 as long-term debt.

NOTE 6 - CONTINGENCIES

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The City receives Federal, State, and local grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the City management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 6 - CONTINGENCIES (CONTINUED)

Engineering Contracts

At June 30, 2011, the City had outstanding commitments resulting from engineering contracts of approximately \$178,000.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Animal Control Services Agreement

The City entered into an agreement effective January 1, 2009, whereby the Parish agrees to provide all services of the Parish's Animal Control Department to the City. In consideration for the service provided by the Parish, the City will pay the Parish approximately \$90,500 annually. This agreement automatically renewed for the 2011 calendar year.

City Operations Services Agreement

The City entered into an agreement effective March 3, 2008, whereby CH2M Hill, Inc., agrees to provide management and operational services for City operations. These services include various administrative, financial, and public works services to the City. The agreement was amended on June 15, 2009 and expired on June 30, 2011. In consideration for the service provided by the CH2M Hill, Inc., the City paid a fixed fee per year as base compensation. For the year ended June 30, 2011, this fixed fee was \$3,561,700.

In addition to base compensation fees stated above, the City also compensated CH2M Hill, Inc., up to 90% of building permit fees collected.

The City had an option to automatically renew this agreement for two additional two year periods beginning July 1, 2011. The City opted not to renew the contract and entered into a new agreement with Institute for Building Technology and Safety (IBTS) beginning on July 1, 2011 and ending on June 30, 2016. The City has an option to renew this contract for an additional two year term.

In consideration for the service provided by IBTS, the City will pay a fixed per year as base compensation as follows:

July 1, 2011 to June 30, 2012	\$3,027,848
July 1, 2012 to June 30, 2013	3,129,663
July 1, 2013 to June 30, 2014	3,234,553
July 1, 2014 to June 30, 2015	3,342,549
July 1, 2015 to June 30, 2016	<u>3,453,805</u>
Total	<u>\$16,188,418</u>

In addition to base compensation fees stated above, the City will also compensate IBTS, up to 100% of building permit fees for completed permits.

NOTE 8 - PENSION PLAN

Substantially all employees of the City can elect to be members of the Municipal Employees' Retirement System of Louisiana ("System"), Plan A, a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

Pertinent information relative to the plan is as follows:

Plan Description

All permanent employees working at least 35 hours per week who are paid wholly or in part from City funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary multiplied for each year of creditable service. Monthly retirement benefits paid under Plan A cannot exceed the lesser of 100 percent of final average salary or \$70 multiplied by total years of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained from the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or (225) 925-4810.

Funding Policy

Plan members are required by state statute to contribute 9.25 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 14.5 percent of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the years ended June 30, 2011, 2010 and 2009 was approximately \$7,500, \$6,800 and \$6,600, respectively.

NOTE 9 - DEFERRED COMPENSATION PLAN

The City allows its employees to elect to participate in the State of Louisiana deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary to future years. The City matches the employee's contribution, which is limited to 12.4% of their salary. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries. As required, the City established a custodial account with a third party administrator who will hold the assets of the plan. Assets totaling approximately \$19,900 are held by Great West, a deferred compensation administrator, under agreement with the City. Matching contributions from the City totaled approximately \$2,250, \$2,200 and \$2,100 for the years ended June 30, 2011, 2010 and 2009, respectively.

The City has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement, governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's employees are only participants in the plan and the plan assets are held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements.

NOTE 10 - MAYOR AND COUNCIL MEMBER COMPENSATION

During the year ended June 30, 2011, Council members and the Mayor received the following compensation, including per diem payments, as follows:

	<u>Amount</u>
Mayor Shelton Watts	\$ 55,453
Council Members:	
Ralph Washington, Mayor Pro-Tem	9,600
Louis DeJohn, Jr.	9,600
Anthony LoBue	9,600
Aaron Moak	9,600
Wayne Messina	<u>9,600</u>
Total	<u>\$ 103,453</u>

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 28, 2011, the date the financial statements were available to be issued.

During August 2011, the City executed an agreement with IBTS and CH2M Hill Inc., regarding open permits at June 30, 2011. The terms of the agreement provided that IBTS would complete the open permits at June 30, 2011, totaling approximately \$93,400. Additionally, the agreement provides that IBTS will be paid upon completion of the permits. This amount has not been accrued in the financial statements as of June 30, 2011.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During 2011, The City discovered errors in the recording of transactions in previous periods. The changes resulted in a change in the fund balances of the government funds and an increase in the net assets on the government-wide basis. Changes to these balances are as follows:

	<u>Governmental Activities</u>	<u>General</u>	<u>Half-Cent Sales Tax</u>
Fund balance, beginning of year, as previously stated:	\$ 8,748,492	\$ 3,010,414	\$ 3,675,367
Reclass of prior year investment revenue recognized in improper fund	-	(35,425)	35,425
Increase for infrastructure expenditures in prior year not properly capitalized	<u>47,730</u>	<u>-</u>	<u>-</u>
Fund balance - as restated	<u>\$ 8,796,222</u>	<u>\$ 2,974,989</u>	<u>\$ 3,710,792</u>

**CITY OF CENTRAL, LOUISIANA
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Sales and use taxes	\$ 5,201,085	\$ 5,201,085	\$ 5,343,390	\$ 142,305
Charges for services	683,442	744,750	751,411	6,661
Intergovernmental	343,850	215,808	198,752	(17,056)
Investment income	4,000	4,000	3,941	(59)
Other	100	14,482	20,586	6,104
Total revenue	<u>6,232,477</u>	<u>6,180,125</u>	<u>6,318,080</u>	<u>137,955</u>
EXPENDITURES				
Current function:				
General government	508,963	584,214	592,190	(7,976)
Health and welfare	90,450	90,450	90,450	-
Public works	4,171,031	4,193,747	4,106,371	87,376
Public safety - Police	175,427	179,631	161,221	18,410
Capital outlay	<u>162,350</u>	<u>85,051</u>	<u>73,938</u>	<u>11,113</u>
Total expenditures	<u>5,108,221</u>	<u>5,133,093</u>	<u>5,024,170</u>	<u>108,923</u>
Net change in fund balance	<u>\$ 1,124,256</u>	<u>\$ 1,047,032</u>	<u>1,293,910</u>	<u>\$ 246,878</u>
FUND BALANCE				
Beginning of year, as restated			<u>2,974,989</u>	
End of year			<u>\$ 4,268,899</u>	

**CITY OF CENTRAL, LOUISIANA
FRANCHISE FEE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Franchise	\$ 1,339,000	\$ 1,400,000	\$ 1,492,877	\$ 92,877
Investment income	<u>1,000</u>	<u>3,700</u>	<u>3,651</u>	<u>(49)</u>
Total revenue	<u>1,340,000</u>	<u>1,403,700</u>	<u>1,496,528</u>	<u>92,828</u>
EXPENDITURES				
Public works	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,340,000</u>	<u>\$ 1,378,700</u>	<u>1,471,528</u>	<u>\$ 92,828</u>
FUND BALANCE				
Beginning of year			<u>1,778,060</u>	
End of year			<u>\$ 3,249,588</u>	

**CITY OF CENTRAL, LOUISIANA
HALF CENT SALES TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Sales and use taxes	\$ 947,628	\$ 909,723	\$ 936,768	\$ 27,045
Investment income	<u>7,000</u>	<u>3,700</u>	<u>3,609</u>	<u>(91)</u>
Total revenue	<u>954,628</u>	<u>913,423</u>	<u>940,377</u>	<u>26,954</u>
EXPENDITURES				
General government	7,581	8,500	8,549	(49)
Highways and streets	-	1,032,390	669,811	362,579
Capital outlay	<u>-</u>	<u>1,270,333</u>	<u>1,193,481</u>	<u>76,852</u>
Total expenditures	<u>7,581</u>	<u>2,311,223</u>	<u>1,871,841</u>	<u>439,382</u>
Net change in fund balance	<u>\$ 947,047</u>	<u>\$ (1,397,800)</u>	<u>(931,464)</u>	<u>\$ 466,336</u>
FUND BALANCE				
Beginning of year, as restated			<u>3,710,792</u>	
End of year			<u>\$ 2,779,328</u>	

**CITY OF CENTRAL, LOUISIANA
TRAFFIC CONTRIBUTION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 33,000	\$ 24,200	\$ 24,200	\$ -
Investment income	100	250	48	(202)
Total revenue	<u>33,100</u>	<u>24,450</u>	<u>24,248</u>	<u>(202)</u>
EXPENDITURES				
Highways and streets	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 28,100</u>	<u>\$ 24,450</u>	<u>24,248</u>	<u>\$ (202)</u>
FUND BALANCE				
Beginning of year			<u>108,911</u>	
End of year			<u>\$ 133,159</u>	

See Independent Auditors' Report

CITY OF CENTRAL, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2011

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal period. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the adoption of the budget.

The general fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designations would represent the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the City's funds' budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the period ended June 30, 2011.

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended June 30, 2011



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council,
City of Central, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL, LOUISIANA (City)** as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2011-3.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the City Council, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 28, 2011

CITY OF CENTRAL, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2011

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2011-1 and 2011-2.**
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **2011-3.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2011-1, 2011-2, and 2011-3.**

2) Findings – Financial Statement Audit

2011-1 Segregation of Duties (Resolved)

Observation: The segregation of duties is not sufficient to have effective internal controls over financial reporting. The finding results from the small size of the accounting staff. At times during the fiscal year, these limitations allowed no opportunity for meaningful segregation of duties in financial reporting.

Recommendation: We recommend that the City continue the current process of:

- Obtaining the Mayor's approval for all city disbursements,
- The unopened monthly bank statements (including all cancelled checks) be reviewed by a contract certified public accountant,
- A certified public accountant reviewing the related bank reconciliations,
- The Mayor, City Council, and a certified public accountant review the City's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed along with the monthly financial statements.

Management's corrective action plan: Management is actively implementing changes to develop proper segregation of duties within the accounting function.

During July 2011, the City changed its processes and integrated contract accounting assistance to segregate various functions and achieve a proper segregation of duties within the accounting function. Due to these changes implemented, the City was able to properly segregate duties. However, for the 2011 fiscal year, the segregation of duties were not properly segregated and therefore is a deficiency in internal control and considered a reportable item.

2011-2 Preparation of Financial Statements

Observation: The City relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under United States generally accepted auditing standards, the auditors cannot be considered part of the City's internal control structure and because of limitations of the City's accounting process, the design of the City's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: The City is satisfied with using its auditing firm to prepare the external financial statements and no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. The City generates the appropriate financial information to effectively manage and plan operations in a timely manner and does not consider their current situation to be deficient. However, management will review the resources necessary to prepare financial statements in accordance with generally accepted accounting principles, with full footnote disclosures, to determine if it would represent responsible stewardship.

2011-3 Compliance with Public Bid Law

Observation: During 2011, the Central Fire Department purchased pagers using state grant funds administered through the City. The Central Fire Department did not solicit quotes for the purchase of these pagers, despite the purchase amount exceeding the requirements for quotes to be obtained during the procurement process under the Louisiana Public Bid Law.

Recommendation: The City should monitor its purchases closely to ensure compliance with public bid laws. Documentation should be kept on each purchase with all bids retained or state contracts obtained.

Management's corrective action plan: The City considers this to be an isolated event. Furthermore, the City has an excellent history of public bid law compliance. The City was acting in an agency capacity for the Central Fire Department to administer a grant to acquire equipment. This transaction did not follow normal protocol.

On the other hand, the City will enhance its purchasing procedures to identify items being purchased which are subject to public bid law. City personnel responsible for purchasing are aware of the public bid requirements and future instances of this type should be avoided.

CITY OF CENTRAL, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2011

2010-1 Segregation of Duties (Resolved)

This finding, although currently resolved, has been reclassified as 2011-1.

2010-2 Preparation of Financial Statements

This finding has been reclassified as 2011-2.

2010-3 Accounting Overview (Resolved)

Observation: During the audit of the City's 2010 financial statements, an adjusting journal entry to accrue expenditures related to engineering fees incurred for studies conducted on highways and streets in the City was proposed. The effect of this adjustment on net earnings for 2010 was a decrease of approximately \$48,000.

Current status: During 2011 audit, no material adjusting entries were proposed that would affect the net assets of the City. This finding is considered resolved.